

Message Text

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62

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 EB-07 L-03 TRSE-00 CIAE-00

INR-07 NSAE-00 OMB-01 AID-05 EA-07 PA-01 PRS-01

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 6429

INFO USDOC WASHDC

USEC BRUSSELS 1778

AMEMBASSY KUWAIT

AMCONGEN THESSALONIKI

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E.O. 11652: N/A

TAGS: EINV, ECIN, ETRD, GR

SUBJECT: FORD MOTOR CO. INVESTMANE MISSION TO GREECE

SUMMARY. VISIT TO ATHENS FROM AUGUST 23-25 BY SENIOR EXECUTIVES OF FORD MOTOR COMPANY HAS GENERATED CONSIDERABLE LOCAL INTEREST AND SPECULATION ON POSSIBLE FORD INVESTMENTS IN GREECE. FOLLOWING IS A SUMMARY OF POTENTIAL FORD INTERESTS HERE PROVIDED BY THE TEAM LEADER DURING A CALL ON THE AMBASSADOR ON AUGUST 25. END SUMMARY.

1. ACCORDING TO MR. E. P. WILLIAMS, PRESIDENT OF FORD MIDEAST AND AFRICA, AND MR. DONALD JONES, FORD DISTRICT MANAGER IN ATHENS, THE VISIT WAS A PRELIMINARY FACT-FINDING MISSION TO DISCUSS POSSIBLE LONG TERM INVESTMENT BY FORD IN GREECE. THE MISSION RESULTED FROM A RECOMMENDATION OF ESSO PAPPAS CHAIRMAN TOM PAPPAS TO HENRY FORD, WHO HAD PLANNED TO HEAD TEAM BUT WITHDREW AT LAST MOMENT.

2. WILLIAMS REPORTED THAT FORD IS INTERESED IN POSSIBILITY OF AUTOMOTIVE ASSEMBLY AND COMPONENT FACTORIES IN
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GREECE. IN LIGHT OF LIMITED DOMESTIC MARKET, JUSTIFICATION

FOR INVESTMENT WOULD DEPEND ON ACCESS FROM GREECE TO EASTERN EUROPEAN AND MIDDLE EAST MARKETS. SPECIFICALLY, FORD IS INVESTIGATING LIKELY IMPACT OF EEC MEMBERSHIP ON GREEK INDUSTRY AND POSSIBLE GREEK ACCESS TO ARAB MARKETS, AND FINANCIAL INCENTIVES PROVIDED BY NEW LAW 289 CONCERNING INVESTMENT IN BORDER AREAS. LAW WAS PASSED IN APRIL 1976 AND PROVIDES FOR A DEDUCTION AGAINST NET PROFITS OF 150 PERCENT OF NEW FIXED INVESTMENT AND 25 PERCENT OF WORKING CAPITAL INVESTMENT, PLUS ADDITIONAL REDUCTIONS IN REAL ESTATE TAX, TURNOVER TAX, AND INSURANCE FUND CONTRIBUTIONS, PLUS SUBSIDIZED INTEREST RATES OF UP TO SEVEN PERCENT ON BORROWINGS WHICH CAN AMOUNT TO 85 PERCENT OF THE TOTAL INVESTMENT. (ANALYSIS AND SUMMARY OF LAW 289 FOLLOWS BY AIRGRAM).

3. WILLIAMS COMMENTED THAT, ACCORDING TO FORD ANALYSIS, PRESENT GREEK INDUSTRY WILL COME UNDER SEVERE COMPETITION WITHIN EEC AND GREECE SHOULD BE RECEPTIVE TO NEW INVESTMENT. COMPONENT PLANTS FOR ITEMS WITH LOW TRANSPORTATION COSTS, SUCH AS SPARK PLUGS, COULD ALSO MEET NEEDS FOR ADDITIONAL CAPACITY IN EUROPE. PROSPECTS FOR ASSEMBLY PLANT WILL DEPEND ON FORMULA NEGOTIATED FOR HARMONIZATION WITH EEC OF PRESENT GREEK VEHICLE AND CONSUMPTION TAXES.

4. CONCERNING THE MIDDLE EAST MARKET, WILLIAMS NOTED THAT AT PRESENT FORD IS NOT MEETING COMPETITION, PARTICULARLY IN KUWAIT AND GULF STATES, FROM JAPANESE SUPPLIERS WHO HE CLAIMED HAVE NO GROSS PROFITS. FORD ANALYSTS BELIEVE, BUT HAVE NOT DOCUMENTED, THAT JAPANESE ARE SUPPLYING VEHICLES TO GULF BELOW COST AND AT DISCRIMINATORY SHIPPING RATES IN RETURN FOR CONCESSIONARY OIL IMPORTS.

5. COMMENTING ON THE MISSION'S TALKS IN ATHENS, WILLIAMS NOTED THAT COORDINATION MINISTER PAPALIGOURAS WAS RECEPTIVE TO TEAM BUT THAT MORE RESEARCH IS REQUIRED ON "INTERNAL AND EXTERNAL ARITHMETIC". THE MISSION ALSO MET WITH GREEK BUSINESSMEN AND BANKERS. ADDITIONAL FORD EXPERTS WILL VISIT ATHENS, AND, IF RESEARCH JUSTIFIES INVESTMENT, FORD SHOULD BE IN POSITION TO MAKE PRELIMINARY PROPOSAL TO GOG IN APPROXIMATELY THREE MONTHS.

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6. AMBASSADOR KUBISCH BRIEFED FORD OFFICIALS ON OVERALL POLITICAL/ECONOMIC CLIMATE AND IMPLICATIONS OF GREEK ENTRY IN EEC.

7. IN CONCLUSION, WILLIAMS PROVIDED FOLLOWING TEXT OF FORD PRESS RELEASE ON VISIT:

"A TEAM FROM FORD U.S.A. COMPLETED AN INITIAL ROUND OF

TALKS TODAY WITH THE MINISTRY OF COORDINATION. THE TALKS
FOCUSED UPON THE OPPORTUNITIES CREATED BY FOREIGN INVESTMENT
LAW NO. 289. THESE TALKS WERE LARGELY EXPLORATORY IN
NATURE AND NO SPECIFIC CONCLUSIONS WERE REACHED."

RELEASE IS INTENDED TO ADD PERSPECTIVE TO EXAGGERATED
ACCOUNTS IN GREEK PRESS OF ELABORATE FORD INVESTMENT
PLANS. TEAM VISIT HAS RECEIVED HEAVY COVERAGE IN
MEDIA, WHICH REPORTED THAT FORD IS ESTABLISHING LOCAL
AUTOMOTIVE ASSEMBLY, CHEMICAL, MEAT PROCESSING AN
FOOTWEAR PLANTS IN THRACE. AS OUTLINED BY WILLIAMS ABOVE,
EXCITEMTN IS PREMATURE AND FORD IS ONLY IN PRELIMINARY
RESEARCH PHASE FOR POSSIBLE INVESTMENT IN AUTOMOTIVE
ASSEMBLY AND COMPONENT PLANTS.
KUBISCH

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